

Implementation of Health Insurance Exchanges - Issues for South Dakota

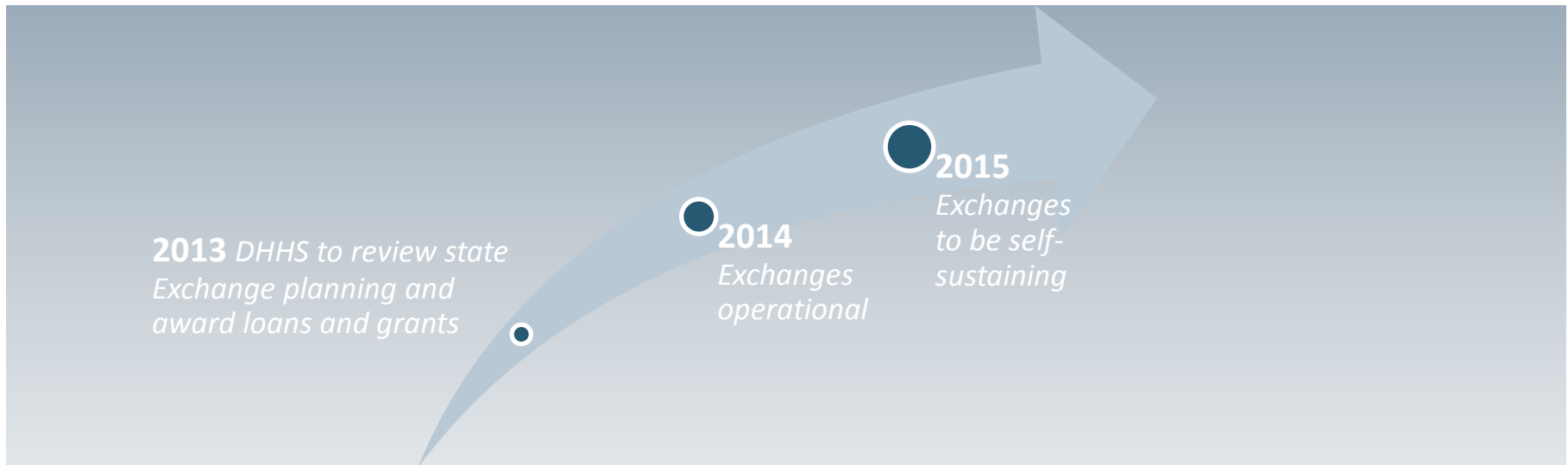
June 21, 2011

NAVIGANT

What is a Health Insurance Exchange?



- » A competitive health insurance marketplace
- » January 2014 implementation
- » States have significant flexibility



What are the goals of an Exchange?



- » “Expedia.com” for health insurance
- » “One-stop shopping” for consumers
- » Intent is to
 - › Organize the marketplace for individuals and small employers
 - › Enable consumers to compare plans and shop for/enroll in health insurance
 - › Access subsidized health insurance programs
- » More transparency
- » Eligibility tax credits and vouchers
- » Health insurance standards and policies
- » Portability and choice
- » Outreach and education
- » Cost reduction and improved quality of health care

There needs to be a single point of access (website / phone / walk-in center) where people can gain access to insurance, understand their coverage options and enroll in coverage.

What are the primary responsibilities of the Exchange?



- » Determine eligibility for subsidized coverage programs
- » Set up a customer service/call center unit
- » Facilitate information on health coverage options for individuals and families
- » Develop multiple channels for people to shop for insurance
- » Set up a distribution method for South Dakodans to access information on health plans
- » Rate health plans based on cost and quality criteria
- » Certify exemptions with regard to the individual mandate

What policy objectives are states considering for Exchanges?



- » Qualify and sign up the uninsured
- » Facilitate easy, informed shopping
- » Reduce administrative costs
- » Enhance competition among health plans
- » Transition safety-net providers
- » Transform healthcare delivery

Health Insurance Exchanges are not new



Full-Featured Benefit Portal – Federal Employee Program

- Provides a competitive marketplace for federal employees to shop for health products and select other benefits such as life insurance.
- Several employee on-line portals (i.e., Postal Service LiteBlue, OPM Open Season On-line, etc.) exist to compare, review, and select benefit options and coverage.
- Medical products are offered based on national (about 20 plans), union sponsored, and/or regional availability (i.e., HMO's).



Plan Product Shopping Portals – Commercial Plans

- Commercial Plans commonly develop on-line benefit solutions, and/or leverage third party solutions.
- In some cases, the on-line portals are multi-region, and offer individuals health and annuity benefits.
- Some Commercial Plans have also allowed employers to present competitor products on the on-line portal (i.e., a large Mid-Atlantic Blues Plan)
- Systems include plan comparison, cost comparisons, and decision support tools as well as on-line billing.
- On-line benefit systems provide necessary enrollment data to a multitude of carriers and enrollment systems without having to alter or reconfigure the enrollment and billing systems.



Employee Selection - Third Party Administrators (i.e., Hewitt, ADP, etc.)

- On behalf of state, county, and employer customers, third party administrators provided and conducted on-line benefit selection, and enrollment.
- On-line portals include tools to help guide the employee through the selection
- On-line benefit systems provide necessary enrollment data to a multitude of carriers and enrollment systems without having to alter or reconfigure the enrollment and billing systems.

State's have industry examples to leverage. On-line health insurance shopping has existed for years (i.e., eHealth.com).

Public and private Exchanges in the market today



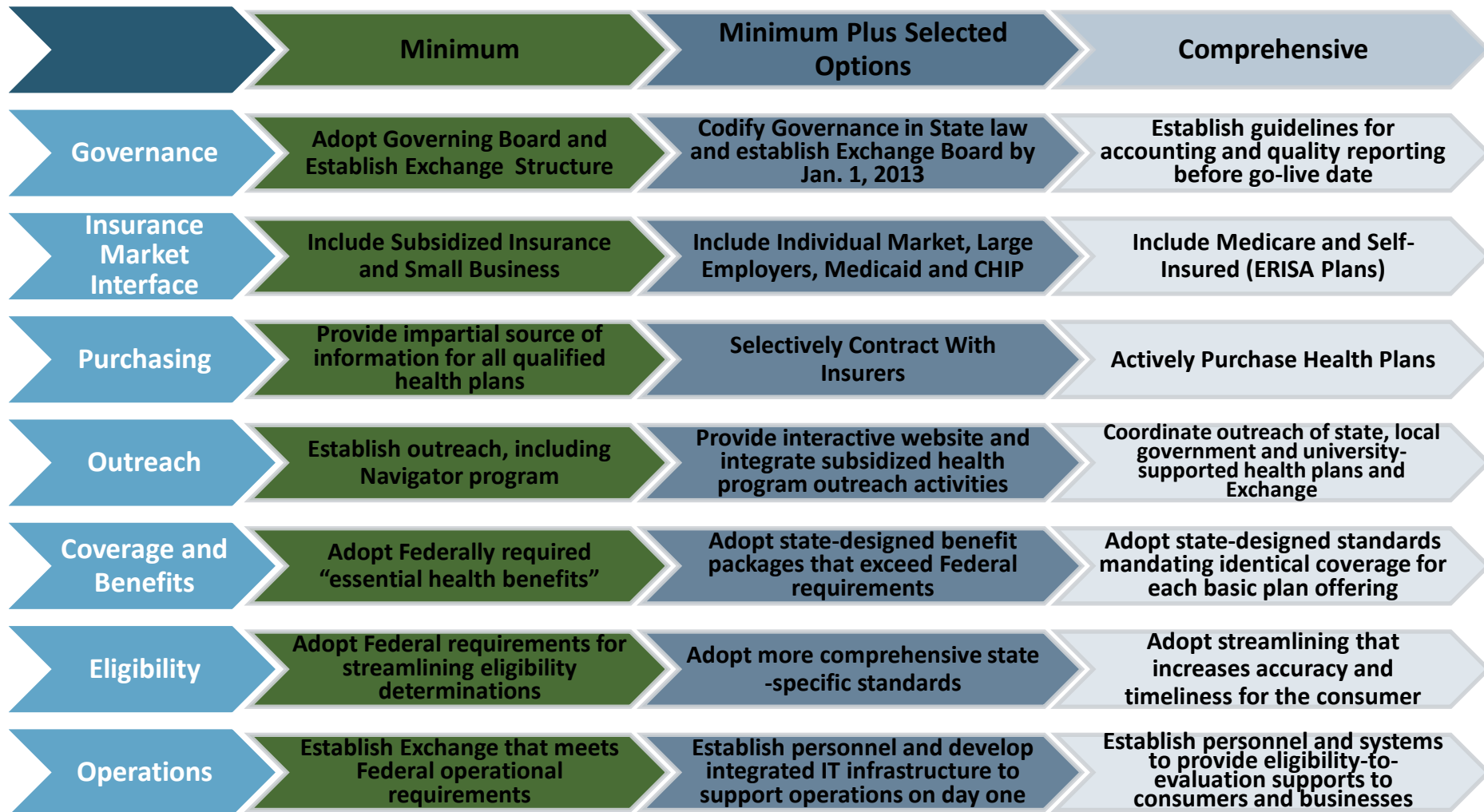
	Massachusetts Connector	Utah Health Exchange	Connecticut Business Industry and Association
Governance	Independent quasi-governmental agency with a 10-member Board	Government Agency	Private Entity
Insurance Market Interface	Commonwealth Care has five insurers and Commonwealth Choice: Six insurers	Three insurers offering 66 health plan options (expanding to include two additional insurers and 100 plus options)	Four insurers offering over 40 health plan options
Outreach	Interactive website	Interactive website	Interactive website
Coverage and Benefits	Three product levels Subsidized and non-subsidized individuals; small groups	Offers plans for small businesses; opens to large groups in 2012	Offers a suite of plans for one-fifth of small businesses in the State
Eligibility Determinations	Medicaid Agency and Enrollment Broker	Enrollment conducted via Internet portal	Handles administration: enrolls consumers
Examples of Operations	Operates premium assistance for low-income	Allows premium aggregation, plan portability	Offers human resources (e.g., assistance complying with Federal law); has 30 employees

Innovative options within the ACA



- » Consumer Operated and Oriented Plans (CO-OPs)
 - › Group Health of Washington
 - › HealthPartners of Minnesota
 - › Smaller scale health insurance cooperatives
- » Basic health plan
 - › Basic Health Plan of Washington
 - › Lower-cost, competitive option for lower-income Exchange enrollees
- » Multi-state health plans
 - › Create nationwide coverage
 - › Phased approach to provide coverage

What is the role of the Exchange in the insurance market?

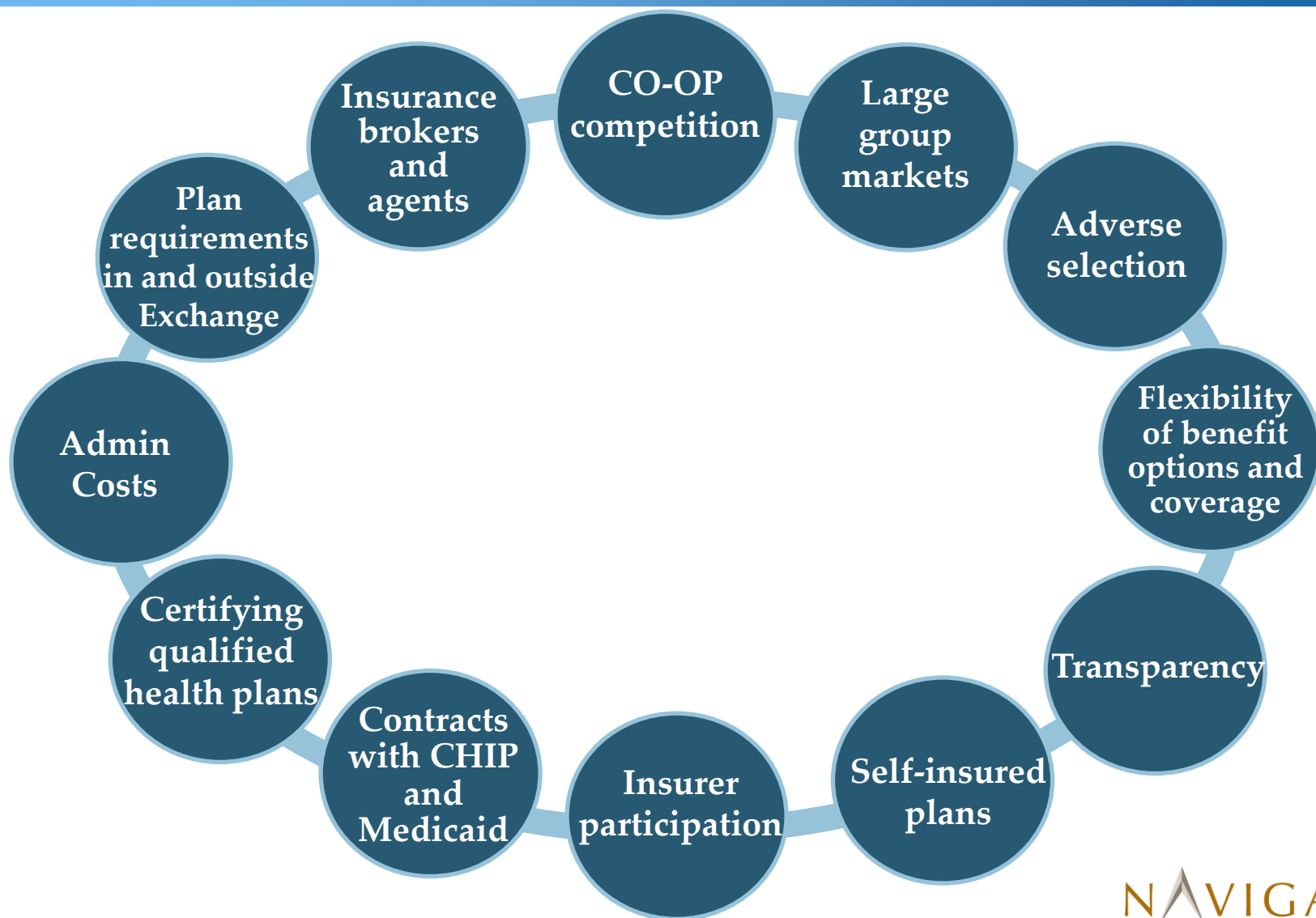


How will Exchanges be governed?



- » States can determine:
 - › How Exchange governing bodies are structured
 - › Regulatory and administrative authority
 - › Who makes operational determinations
- » Structure of Exchange will influence how Exchange can operate
 - › “Quasi-government” agency (non-profit entity)
 - › Existing state agency
- » Role of Exchange will determine type of governing body needed
 - › “Connector”
 - › “Purchaser” of services
 - › Clearinghouse

Key issues



What requirements will be placed on plans within and outside the Exchange?



- » Trade-off between greater choice and adverse selection
- » Concern about competition
- » Same requirements for qualified health plans (inside and outside Exchange)
- » Decision will vary by state:
 - › Population size
 - › Number of insurers and health plans
 - › Costs
 - › Regulatory environment



How will Exchanges certify qualified health plans?



- » Certify all health plans *or*
- » Limit the number of participating health plans through selective contracting or active purchasing models
 - › Require participation in Medicaid
 - › Further other state policy goals
- » State market characteristics will influence decision making



How will administrative costs be passed to health plans, consumers or others?



- » Exchanges must be self-sustaining by January 2015
- » Options for covering administrative costs include:
 - › Assessments on insurers operating within the Exchange
 - › Taxing all insurers
 - › Taxing provider and employers
- » Administrative costs may drive decision-making regarding how comprehensive the Exchange should be in authority
 - › Massachusetts Connector
 - › Utah Health Exchange



NAVIGANT

Will the Exchange allow flexibility in the design of benefit options and coverage?



- » Exchanges must determine
 - › Specify uniform benefits within each of the four tiers, or,
 - › Allow actuarial equivalence
- » Require or allow additional benefits?
- » Cost-sharing requirements for health plans
- » Bidding process and selection criteria
- » Benefit designs affect
 - › Exchange decisions and health plans' abilities to differentiate themselves
 - › Consumers' abilities to select Exchange plans

Essential health benefits and coverage levels in qualified health plans



Health benefits offered through the Exchange will be tiered into four levels based on actuarial value, the amount of health care costs covered by the premium and the amount the average member will pay in point-of-service cost-sharing for services.

Essential Health Benefits

- » Ambulatory patient services
- » Emergency services
- » Hospitalization
- » Laboratory services
- » Maternity and newborn care
- » Mental health and substance abuse disorder services
- » Prescription drugs
- » Preventive, wellness and disease management
- » Pediatric services
- » Rehabilitative and facilitative services and devices

Levels of Coverage

Platinum: 90 percent

Gold: 80 percent

Silver: 70 percent

Bronze: 60 percent

How will the Exchange address the potential for adverse selection?



The ACA does not eliminate the potential for adverse selection

- » How does adverse selection occur?
 - › Exchange health plans may be more expensive
 - › Differences in benefits and cost sharing in and outside of the Exchange
 - › Small businesses may decide to not offer coverage
 - › Self-insured plans might offer coverage that is less protective
 - › Grandfathered health plans
 - › Sicker individuals choose one health plan over another within the Exchange
 - › Open enrollment periods

How will the Exchange address the potential for adverse selection?



ACA includes provisions to discourage adverse selection

- » Individuals must have minimum essential coverage
- » Insurance reforms apply within and outside the Exchange
 - › Most health insurers will treat all individuals in their health plans as one single risk pool and all small group enrollees as another single risk pool
- » Risk adjustment program
 - › Health plans must use an adjusted community rating methodology to set premiums for individuals and small groups
 - › Adjusted based on location, age, family composition and tobacco use
 - If health plans outside the Exchange attract a significantly healthier population than health plans in the Exchange, they will compensate the plans in the Exchange
 - What type of adjuster? Is there enough data?

How will the Exchange address the potential for adverse selection?



Other opportunities for states to discourage adverse selection

- » Ban sale of insurance in individual and small group market altogether outside the Exchange
- » Impose additional requirements on the outside market
 - › Regulate small group market the same inside and outside the Exchange
 - › Require all health plans to comply with requirements that prohibit marketing practices and benefit designs that discourage high-risk enrollees
 - › Require plans to comply with requirements that prohibit marketing practices and benefit designs that discourage high-risk enrollees
 - › Other

How will states encourage insurer participation?



- » Kingsdale/Bertko identify the following based on Massachusetts experience:
 - › Forced participation through laws
 - › Excluding competing channels of product distribution
 - › Aggressive marketing efforts on the part of the Exchange
 - › Subsidizing the insurance purchases of eligible buyers
 - › Buyers' and sellers' perceptions of fairness, value and efficiency



How will self-insured plans affect the Exchange?



- » Not subject to the risk adjustment program, risk pooling requirements or essential benefit requirements of the ACA
- » Small groups could self-insure



How will Exchange implementation affect current health plan contracts with CHIP and Medicaid programs?



- » States view public products as good offerings to include in the Exchange
 - › Prepared to provide services quickly
 - › Can better address “churning” issue
- » Impacts of Exchange participation on CHIP and Medicaid contracts
 - › Qualified health plan requirements?
 - › New procurements for public programs?
 - › Coordination of care for enrollees with volatile eligibility
 - › Financial reserves
 - › Other required administrative activities

What level of involvement will insurance brokers and agents have in an Exchange?



- » Role of broker in the Exchange
 - › Brokers as customer service intermediaries
- » Broker commissions and incentives





Major Exchange Timeline Tasks from "Health Benefit Exchanges: An Implementation Timeline for State Policymakers"

